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RR RUEHMA RUEHPA
DE RUEHMA #0136/01 0321454
ZNR UUUUU ZZH
R 011452Z FEB 10
FM AMEMBASSY MONROVIA
TO RUEHC/SECSTATE WASHDC 0023
INFO ECOWAS COLLECTIVE
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

UNCLAS SECTION 01 OF 02 MONROVIA 000136

SIPDIS

E.O. 12958: N/A
TAGS: [ASEC](#) [ECON](#) [ENRG](#) [LI](#)
SUBJECT: OIL SHORTAGE HITS LIBERIA

REF: 09 MONROVIA 662

11. (SBU) SUMMARY: Oil importers were forced to impose rations January 15 and gas stations temporarily shut down January 24, after an oil refinery in Cote d'Ivoire that supplies the majority of Liberia's oil unexpectedly malfunctioned and ceased exports. The state-owned Liberia Petroleum Refining Company (LPRC) maintains strategic reserves, but its storage infrastructure is so limited that emergency stockpiles of oil, diesel and kerosene were depleted within a week. Imports from alternative refineries in Europe and South Africa have resumed, but supply lines will remain precarious until the Ivorian refinery restarts operations April 30. That a single technical glitch could disrupt fuel delivery in a country that depends upon oil imports for all electrification and business operations underscores the limitations on Liberia's infrastructure, the absence of emergency preparedness procedures, and the weakness of an undiversified reliance upon foreign oil. The development of domestic renewable energy sources is the only assurance of Liberia's long-term energy security. END SUMMARY.

12. (SBU) T. Nelson Williams, Acting Managing Director of the LPRC, explained that on January 1, the Refining Corporation of Cote d'Ivoire, where Liberia's nine oil importers purchase 90 percent of their fuel, informed the LPRC that it had suffered unexpected systems failure and could not deliver a promised shipment. The LPRC, a state-owned enterprise that manages the oil jetty and tank farm where importers store gas, diesel fuel and kerosene, sold fuel to importers from its modest strategic reserves while importers commissioned new supplies from refineries in Spain and South Africa. As stocks depleted, importers began rationing sales to consumers. On January 15, Total Liberia, the owner of the majority of gas stations in Monrovia, limited sales to USD 10 per customer. On January 24, Total closed its seven stations until late afternoon, when it could finally replenish stocks. In fact, the LPRC received its first alternate shipment from Spain January 20, but a pipe at Liberia's 1950's-era oil jetty suffered a chronic rupture, which delayed offloading until January 24. Fortunately, Liberia averted a shortage of diesel fuel (and ensured that electricity remained running) because several shipments from Europe arrived in early January. Diesel importers have since secured additional long-term contracts with European suppliers through April 30.

13. (SBU) Walter Brudermann, marketing manager at Total, observed that Liberia suffers from an undiversified supply chain, a dilapidated oil jetty, and insufficient strategic reserves, all of which imperil continuous fuel delivery. In a country that relies upon diesel fuel imports for all electricity, Brudermann warned that a longer delay in imports could cripple businesses and plunge Monrovia into the dark.

14. (SBU) Williams acknowledged the shortcomings in the LPRC infrastructure and emphasized the urgent need to invest in

facilities to ensure oil imports. He said the LPRC will begin negotiations this month with UK-based Motherwell Bridge to renovate both the tank farm and the oil jetty, at a cost of USD 22.4 million and USD 10 million, respectively. After HIPC Completion Point, he anticipates the LPRC will be able to finance the projects from future revenues, with only minimal recourse to borrowing. With the new tank farm, the LPRC's strategic reserves will increase from 30 days to six months. Further, in anticipation of a donor-funded 10 Megawatt generator run on heavy fuel oil that is expected to come online this year, the LPRC will add a fourth pipe for heavy fuel oil.

15. (SBU) COMMENT: It appears that the shortages are for technical reasons, and not financial. While the state-owned LPRC controls the import of petroleum products, the products are purchased by private entities at market prices. However, that a series of minor misfortunes -- a disrupted supply line, a leaky pipe -- could disrupt all fuel delivery underscores the fragility of Liberia's energy security and the shortcomings of reliance upon imported fuel. Diesel-powered generators remain the only source of electrification in Liberia. Even in the medium-term, donor and private investor plans to provide heavy fuel oil facilities to power Monrovia's nascent electricity grid could be constrained by the absence of an HFO pipeline at the LPRC. Further, the LPRC may prove unable to implement its optimistic renovation plans, given the state-owned enterprise's track record of mismanagement and

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fiscal profligacy. LPRC's efforts to bring in a sole-source bidder, Zakhem International Construction, to refurbish the jetty have been mired in legal wrangling and accusations of corruption, leading to the departure of LPRC head Harry Greaves (reftel). While the LPRC and oil importers seem to have cobbled together a short-term solution, the recent energy shortage reinforces the importance of a comprehensive energy policy that incorporates domestic, renewable fuel sources and relies less upon imported oil.
ROBINSON